

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06
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USEEC FOR EMBASY

E.O. 11652: N/A
TAGS: PINT, NL
SUBJ: FORMER ECONOMIC MINISTER ACCUSED OF IMPERMISSIBLE
BUSINESS ACTIVITIES

1. AFTER THE BARRAGEE OF ADVERSE PUBLICITY SURROUNDING THE
ABRUPT DEPARTURE OF DEFENSE MINISTER KRIUSINGA, THE VAN AGT
CABINET NOW HAS THE MAKINGS OF A MINOR TAX SCANDAL INVOLVING
THE DEPUTY LEADER OF THE PARLIAMENTARY CHRISTIAN DEMOCRATS
(AND FORMER ECONOMIC MINISTER) RUUD LUBBERS.

2. ACCORDING TO AN INVESTIGATIVE REPORT IN THE HAAGSE POST MARCH
8, LUBBERS AND HIS TWO BROTHERS SET UP A PARTNERSHIP ON
DECEMBER 30, 1974 TO TRADE IN AND EXPLOIT REAL ESTATE. THE
PARTNERSHIP BOUGHT BUSINESS PREMISES FOR OVER SEVEN MILLION
GUILDERS IN 1974 AND 1975, INJOYING A TEMPORARY DOUBLING OF
THE 12-PERCENT TAX DEDUCTION FOR INVESTMENTS. FOR LUBBERS
THIS WOULD HAVE MEANT 300,000 GUILDERS (ABOUT \$145,000) INCOME
FREE OF TAXES. THE PARTNERSHIP WAS CHANGED ON OCTOBER 10, 1977,
WHEN LUBBERS WAS STILL A CARETAKER MINISTER, MAKING HIM A
"SLEEPING" PARTNER WHOSE NAME DID NOT HAVE TO BE MENTIONED IN
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THE REGISTER OF BUSINESS FIRMS. THE PAPER NOTED THAT THIS
CHANGE OCCURRED TWO DAYS AFTER PRESS DISCLOSURE OF SIMILAR
TAX AVOIDANCE BY THE TWO STATE SECRETARIES AT THE FINANCE
MINISTRY. LUBBERS CALLED THE TIMING A COINCIDENCE.

3. IN HIS OWN DEFENSE, LUBBERS DENIES HE USED FOR PRIVATE
ENRICHMENT TAX FACILITIES MEANT TO STIMULATE EMPLOYMENT OR

THAT HE HAD INSIDE KNOWLEDGE OF TAX FACILITIES, POINTING OUT THEY WERE AVAILABLE AND KNOWN TO EVERYONE. HE EXPLAINED THAT HIS BROTHER HAD ASKED HIM TO INVEST IN BUSINESS PREMISES TO SPREAD RISKS. WHEN HE FOUND OUT THAT AS A RESULT HE WOULD HAVE A VERY SMALL TAXABLE INCOME, HE HAD IMMEDIATELY TAKEN MEASURES TO REDRESS THE BALANCE, HAVING TOLD THE TAX AUTHORITIES HE WOULD REFUND TAX DEDUCTIONS ENJOYED IN THE YEARS 1974 TO 1976. LUBBERS ADDED THAT HE DID NOT INTEND TO WITHDRAW FROM POLITICS UNLESS HIS PARTY LOST CONFIDENCE IN HIM.

4. FORMER PRIME MINISTER DEN UYL, NOW LEADING THE LABOR OPPOSITION TO HIS EX-COALITION PARTNERS IN THE CDA, COMMENTED THAT LUBBERS'S ACTIVITIES WERE CONTRARY TO THE REQUIREMENTS FOR HOLDING MINISTERIAL OFFICE, SAYING HE WAS DISAPPOINTED HE HAD NEVER BEEN INFORMED OF LUBBERS' ACTIVITIES. BUT CDA PARLIAMENTARY FLOOR LEADER WIM AANTJES SAID HE HAD NO DOUBT HIS COLLEAGUE HAD ACTED IN GOOD FAITH. HE SAID LUBBERS AS MINISTER HAD SPONTANEOUSLY TAKEN MEASURES TO MAKE HIS FULL MINISTERIAL SALARY TAXABLE; BOTH HE AND HIS BROTHERS HAD GIVEN UP THE ENTIRE TAX DEDUCTION ON THEIR INVESTMENT.

5. COMMENT: ON ITS FACE, LUBBERS' COMBINATION OF PRIVATE ENTERPRISE AND ACCABINET JOB DOES NOT APPEAR TO HAVE BEEN ILLEGAL. WHETHER IT WAS ETHICAL IS DEBATABLE. THIS NEW CONTROVERSY COMES WITHIN DAYS OF THE BLOW DEALT BY KRUISINGA'S RESIGNATION (THE HAGUE 1173) AND WHILE RUMORS STILL CIRCULATE THAT OTHER CDA LIMITED OFFICIAL USE

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MEMBERS USED INSIDE INFORMATION TO EVADE TAXES, A SUBJECT BEING INVESTIGATED BY A SPECIAL COMMISSION (THE HAGUE 768). WE HAVE NO REASON TO BELIEVE ANY OF THESE DEVELOPMENTS THREATENS THE SURVIVAL OF THE GOVERNMENT BUT THEY TEND TO WEAKEN ITS PUBLIC IMAGE JUST THREE WEEKS BEFORE PROVINCIAL ELECTIONS.
MCCLOSKEY

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